

Message Text

UNCLASSIFIED

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ACTION AID-59

INFO OCT-01 EUR-12 EA-09 NEA-10 ISO-00 IO-13 H-02 L-03
PRS-01 PA-02 SP-02 USIA-15 EB-08 NSC-05 TRSE-00
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /186 W
-----120715Z 032599 /13

R 120506Z APR 77
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 869
INFO USMISSION OECD PARIS
AMEMBASSY MANILA
AMEMBASSY TOKYO

UNCLAS ISLAMABAD 3513

MANILA FOR USADB

E.O. 11652: N/A
TAGS: EAID, EFIN, PK
SUBJ: AID UNTYING

1. ADDRESSES MAY FIND IT OF INTEREST THAT
A GROWING NUMBER OF COUNTRIES HAVE BEEN EXTENDING AID
TO PAKISTAN WHICH IS UNTIED AT LEAST FOR PROCUREMENT IN
DEVELOPING COUNTRIES. AID FROM OPEC SOURCES IS OF COURSE
FULLY UNTIED, AND RECENT GERMAN AID LOANS HAVE BEEN LDC
UNTIED. ON MARCH 14, THE DUTCH SIGNED AN AID AGREEMENT
UNDER WHICH THEY WOULD PROVIDE DOLS23.4 MILLION WORTH OF AID
IN FY 78, INCLUDING A DOLS5.2 MILLION GRANT TIED TO
PROCUREMENT IN THE NETHERLANDS AND DOLS18.2 MILLION LOAN UNTIED
FOR PROCUREMENT IN LDC'S. ACCORDING TO THE GOP ANNOUNCE-
MENT, THE DUTCH AID WOULD BE USED TO MEET THE FOREIGN
EXCHANGE REQUIRMENTS OF SEVERAL INFRASTRUCTURE PROJECTS.,
FERTILIZER IMPORTS, AND " FINANCING OF SOCIAL SECTOR
PROJECTS."

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2. IN ADDITION, SINCE LAST FEBRUARY, PAKISTAN HAS SIGNED
THREE LOAN AGREEMENTS WITH JAPAN FOR A TOTAL OF DOLS71.5
MILLION, ALL OF THEM LDC UNTIED. ONE OF THESE AGREEMENTS
WAS A COMMODITY LOAN FOR DOLS28 MILLION, A SECOND PROVIDED
DOLS37 MILLION FOR 2 CEMENT PLANTS, AND THE THIRD PROVIDED
DOLS6.5 MILLION FOR THE INSTALLATION OF ELECTRONIC SWITCHING
SYSTEM. THE GOVERNMENT ANNOUNCEMENT ON THE LOAN FOR

ELECTRONIC SWITCHING SYSTEMS SPECIFIED THAT THE LOA FUNDS WOULD BE USED IN " JAPAN, PAKISTAN, AND OTHER MUTUALLY AGREED UPON DEVELOPING COUNTRIES." THIS WOULD SUGGEST THE BEGINNING OF A JAPANESE WILLINGNESS IN PRINCIPLE TO LEND FOREIGN EXCHANGE FOR LOCAL COSTS, ALTHOUGH AS A PRACTICAL MATTER THE ITEMS TO BE FINANCED UNDER THESE LOANS ARE ALL ALMOST CERTAIN TO HAVE TO BE IMPROVED FROM JAPAN.

3. WE HAVE BEEN TOLD BY THE CANADIAN EMBASSY THAT THEY EXPECT PAKISTAN TO BE ONE OF THE COUNTRIES TO WHICH CANADA WILL BE EXTENDING LDC-UNTIED AID STARTING IN FY 1977-78. CANADIAN EMBASSY BELIEVED THAT IN THIS CASE PAKISTANI SUPPLIERS COULD ALSO BID ON LDC-UNTIED PROJECTS. FINALLY, ALTHOUGH BRITISH AID TO PAKISTAN IS STILL TIED, THE BRITISH HAVE A LIMITED AUTHORITY TO FINANCE LOCAL COSTS UNDER THEIR AID. THE TOTAL LOCAL COSTS SO FUNDED IN FY 77 CAME TO 30 THOUSAND. THE BRITISH EMBASSY OFFICER WHO HANDLES AID BELIEVED THAT THESE AMOUNTS WERE HANDLED IN SUCH A WAY AS TO MAKE THEM IN EFFECT UNTIED AID, WITH FEW OR NO CONTROLS OVER THE FOREIGN EXCHANGE DELIVERED TO PAKISTAN AGAINST THESE LOCAL COSTS.

BYROAD

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